

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: Domestic Security Committee

BILL: CS/SB 1018

SPONSOR: Senator Bennett

SUBJECT: Tax Benefit/Catastrophic Emergencies

DATE: February 8, 2006

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Pardue</u>	<u>Skelton</u>	<u>DS</u>	<u>Fav/CS</u>
2.	_____	_____	<u>CA</u>	_____
3.	_____	_____	<u>GE</u>	_____
4.	_____	_____	<u>TA</u>	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

This committee substitute bill provides additional definition of the term “infrastructure”, allowing local governments the authority to expend proceeds from the Local Government Infrastructure Surtax for private entity facilities that are used as needed as public emergency shelters. The bill also provides an exemption from the Transient Rentals Tax for individuals seeking temporary housing as a result of displacement from their permanent residence as a result of a hurricane or other catastrophic disaster.

This bill amends the following sections of the Florida Statutes: 212.055 and 212.03.

II. Present Situation:

Local Government Infrastructure Surtax

Local governments are authorized to levy numerous types of local discretionary sales surtaxes pursuant to s. 212.055, F.S. One such tax is the Local Government Infrastructure Surtax which may be levied at 0.5 percent or 1 percent. The proceeds of the tax are authorized to be expended within a county or municipalities within a county or by negotiated joint county agreement within another county to finance, plan, and construct infrastructure, to acquire land for public recreation or conservation or protection of natural resources, or to finance the closure of county-owned or municipality-owned solid waste landfills.

As currently defined by the section, infrastructure means any fixed capital expenditure or fixed capital outlay associated with the construction, reconstruction, or improvement of public facilities which have a life expectancy of 5 or more years and any land acquisition, land improvement, design, and related engineering costs.

Transient Rentals Tax

Section 212.03, F. S., provides for a sales tax of 6 percent on the business of renting, leasing, or granting a license to use any living quarters or sleeping or housekeeping accommodations in connection with any hotel, apartment house, rooming house, or tourist or trailer camp. The statute provides an exemption when the period of continuous residence is longer than 6 months. In addition, three municipalities levy a municipal resort tax on transient rentals of 4 percent. These municipalities are Miami Beach, Bal Harbour, and Surfside.

A Deficit of Public Emergency Shelters Exists

The Department of Community Affairs Division of Emergency Management's *2005 Shelter Retrofit Report* highlights the deficit of safe public emergency shelter space. While significant progress has reduced the deficit of spaces meeting the American Red Cross standard ARC 4496, the report projects a need of almost 1.3 million public shelter spaces in 2006. The department estimates Florida will have 816,778 spaces meeting the standard by the 2006 hurricane season.¹ According to the report, under current public shelter retrofit and building programs, Florida will meet its estimated emergency public shelter needs in 2011.

III. Effect of Proposed Changes:

Section 1 amends s. 212.055, F. S., to expand the definition of the term "infrastructure." Under this bill, public facilities will also include private facilities used on a temporary basis as needed by local government as a public emergency shelter or a staging area for emergency response equipment.

The effect of this change will allow local governments to expend Local Government Infrastructure Surtax proceeds on private entity facilities that are used for public purposes as temporary public emergency shelters.

The committee substitute bill provides limitations on Local Government Infrastructure Surtax funds expended to improve private facilities. Such funds shall only be used to bring a private facility up to current public emergency shelter standards. In return for this funding the owner agrees to enter into a contract to make the facility available as a temporary public emergency shelter as needed by local government for a minimum period of 10 years. Temporary use of the facility will be at no cost to the local government and the obligation must transfer to any subsequent owner until completion of the minimum period.

Section 2 amends s. 212.03, F. S., to provide an exemption from the Transient Rentals Tax for a person who rents, leases, lets, or grants a license to use, occupy or enter transient living accommodations covered by the section because he or she has been displaced from his or her permanent residence by a hurricane or other catastrophic disaster. The Department of Revenue would be authorized to publish a rule regarding acceptable proof to be presented to a landlord that the catastrophe is the cause of the individual's need for temporary housing.

¹ Department of Community Affairs, *2005 Shelter Retrofit Report*, September, 2005.

Section 3 provides for an effective date of July 1, 2006.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

This bill may fall under subsection (b) of s. 18 of Art. VII, Florida Constitution. Subsection (b) that requires a two-thirds vote of the membership of each chamber in order to enact a general law reducing the authority that municipalities and counties had on February 1, 1989, to raise revenues in the aggregate. By adding an exemption to the state sales tax, the bill has the effect of adding an exemption to the local option county sales surtax. Since there may be a qualifying anticipated annual local revenue loss from the Transient Rentals Tax, this bill may not be exempt from the requirements of subsection (b). Final determination would be made pending an impact review by the Revenue Estimating Impact Conference.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

This bill will likely reduce revenue potential from the Transient Rental Tax, a discretionary sales surtax, levied pursuant to s. 212.054 and s 212.055, F. S.

B. Private Sector Impact:

Private buildings may be improved for use as needed by local governments as emergency public shelters using Local Government Infrastructure Surtax funds. Improvements are limited to those necessary to meet current public emergency shelter standards. These improvements may result in the private building being better able to withstand hurricane force winds. In return the owner must agree to make the building available on an as needed basis for a minimum of 10 years at no cost to the local government.

This bill will likely reduce the amount of Transient Rentals Tax that must be collected and reported by landlords. However, additional administrative effort will likely be required by landlords to document individuals qualified for the exemption.

The bill will provide a tax exemption benefit to individuals who have been adversely impacted by a hurricane or catastrophic event while displaced from their usual place of residence.

C. Government Sector Impact:

The Local Government Infrastructure Surtax revenues are not affected by this bill. Local governments however, will be given expanded authority to expend surtax proceeds. Use of such funds would be intended to aid in reducing the current deficit of suitable emergency public shelters.

The effect of the exemption on the future collection of Transient Rentals taxes is unknown at this time pending a review by the Revenue Estimating Impact Conference but will likely reduce revenue potential.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.

VIII. Summary of Amendments:

None.

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